

The Abiding Cultural Problem

Accountability, Consequence, and the 129th Study

Gary E. Christle

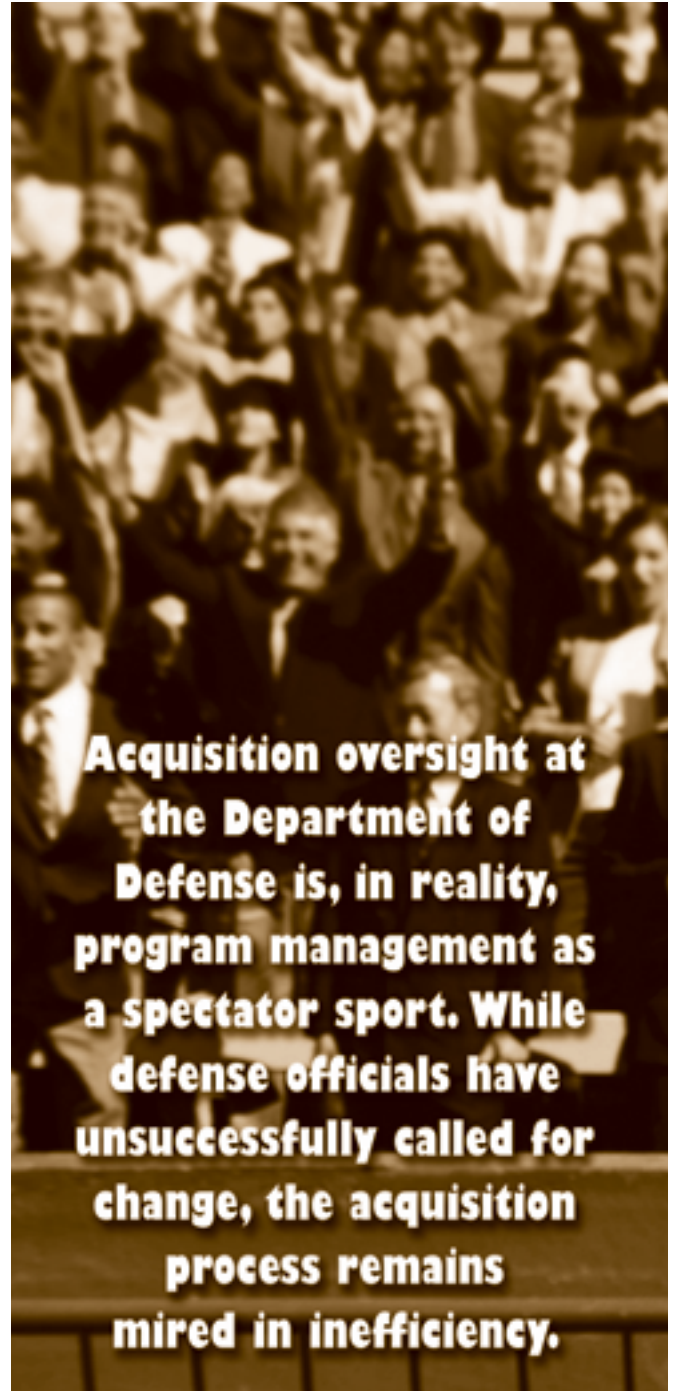
In a May 2001 interview with *Defense News*, then-Defense Secretary Donald Rumsfeld posed a rhetorical question: “Why has there been little fundamental change in the department’s acquisition process despite the 128 different studies that have chronicled the ills of the procurement system?”

Rumsfeld’s number was an exaggeration, but it reflected the common frustration with the endless series of studies conducted on the defense acquisition process—all with no real results. Seven years later, the litany continues. There have been two Quadrennial Defense Reviews, three Beyond Goldwater–Nichols reports, the Defense Science Board’s report on “Management Oversight in Acquisition Organizations,” and the Defense Acquisition Performance Assessment—collectively becoming the metaphorical 129th study to result in little fundamental change.

Acquisition oversight at the Department of Defense is, in reality, program management as a spectator sport. While defense officials have unsuccessfully called for change, the acquisition process remains mired in inefficiency. Chester Paul Beach Jr., whose inquiry into the Navy’s A-12 aircraft program followed its cancellation—a rare example of accountability in acquisition—recognized the problem with inefficiency, and in his 1990 report, he recommended the creation of “appropriate incentives to enable senior leaders to rely upon responsible, accountable line managers for realistic perspectives on the cost, schedule, and technical status of their programs. ... Unless means can be found to solve this abiding cultural problem, the failures evidenced in this report can be anticipated to occur again.”

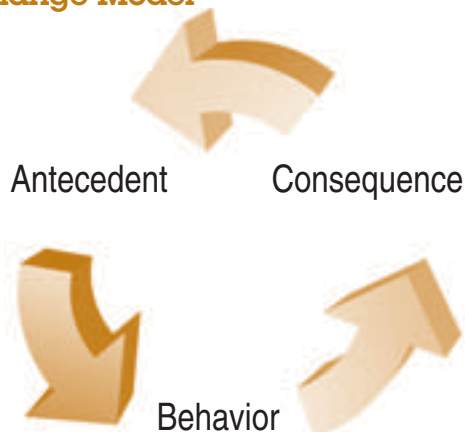
How to Enact Changes

The primary problem is unless there is a significant paradigm shift, to include a revamped process of accountability in conjunction with ongoing—not ex post facto—assessment of decisions and program execution, recommendations from blue-ribbon panels and scores of studies will continue to fail to lead to any meaningful change in the way the defense components conduct acquisition. The defense leadership should enact a two-pronged approach to improving acquisition among the Department of De-



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The Change Model



fense components. First, change the culture to one that is rooted in trust and accountability—a delicate but essential balance. And second, change the business model to one that includes an annual operating plan. Three aspects must be taken into account when enacting this change: behavior, expectations and accountability, and oversight and trust.

Behavior

Behavioral scientists posit that people are motivated by antecedent or consequence. In other words, there are two ways to alter behavior: Do something before it occurs or do something after the fact. Antecedents do not necessarily cause behavior, but rather, set the stage for it, and as they relate to acquisition, antecedents can be policies, goals, and practices. Antecedents will not by themselves sustain a desired level of performance or behavior. Only the nature and likelihood of consequences can do that, and too often, consequence is missing from acquisition. Acquisition officials tend to implement more policy antecedents to obtain the behavior they want, but fail to realize the lack of consequence will become an offsetting antecedent—resulting in only marginal change.

Expectations and Accountability

While program managers may understand that the component acquisition executive expects them to be responsible for adhering to schedules, staying within cost, and meeting performance goals, those goals are typically far into the future, and program managers rarely have input into the establishment of those goals. Program managers should know specifically what is expected of them as it relates to their individual program in its current state. In other words, they need to know the near-term measures of progress toward the program's long-term goals.

To establish a basis for accountability, the acquisition leadership should begin by articulating three things to its program managers: that acquisition leadership decisions and program objectives will be reviewed as they are executed; what, specifically, the program manager will be held accountable for; and what the consequences are for failure.

Oversight and Trust

In a 2001 CNA Corporation study, “Improving Metrics for Acquisition Management,” senior defense industry executives described what was most important to them in executing defense programs. They emphasized the need to stay out of the details in order to foster an atmosphere of responsibility and trust while, at the same time, making it clear that their managers will be held accountable for achieving established corporate and company goals and objectives.

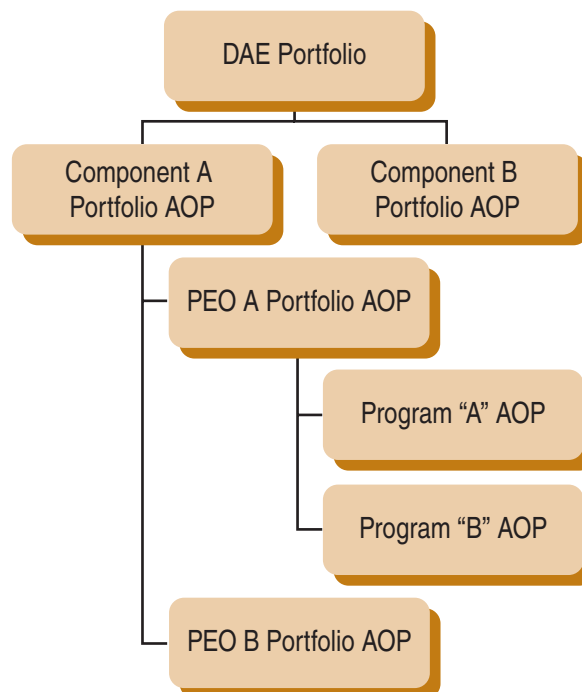
The Department of Defense, on the other hand, often compensates for the lack of accountability with increased and stifling oversight. This has resulted in a system based on a lack of trust, and a system that too often puts oversight staff and program managers in adversarial rather than in supporting team roles. Defense and component officials place too much emphasis on how to do things and too little emphasis on what outcomes they expect. Unless the system and the culture change, acquisition will only improve at the margins. New studies will repeatedly “chronicle the ills of the procurement system” and will continue to result in “little fundamental change in the department's acquisition process.”

Steps to be Taken

In order to overhaul the defense acquisition process and make it truly effective, the DoD acquisition leadership should incorporate certain fundamental principles into management of its portfolio of acquisition programs. Those principles should:

- Emphasize accountability

Revamping the Oversight Process



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1 Look at back issues of the magazine. If we printed an article on a particular topic a couple of issues ago, we're unlikely to print another for a while—unless it offers brand new information or a different point of view.

2 We look on articles much more favorably if they follow our author guidelines on format, length, and presentation. You'll find them at <www.dau.mil/pubs/dam/DAT&L%20author%20guidelines.pdf>.

3 Number the pages in your manuscript and put your name on every page. It makes our life so much easier if we happen to drop a stack of papers and your article's among them.

4 Do avoid acronyms as far as possible, but if you must use them, define them—every single one, however obvious you think it is. We get testy if we have to keep going to acronymfinder.com, especially when we discover 10 equally applicable possibilities for one acronym.

5 Fax the *Certification as a Work of the U.S. Government* form when you e-mail your article because we can't review your manuscript until we have the release. Download it at <www.dau.mil/pubs/dam/DAT&L%20certification.pdf>. Please don't make us chase you down for it. And please fill it out completely, even if you've written for us before.

6 We'll acknowledge receipt of your submission within three or four days and e-mail you a publication decision in four to five weeks. No need to remind us. We really will. Scout's honor.

- Establish clear, near-term, cost, schedule and performance objectives
- Communicate clearly to program managers the consequences of failure to meet the established cost schedule and performance objectives.

To accomplish this ambitious but crucial goal, defense acquisition officials should:

Establish an effective strategic management system.

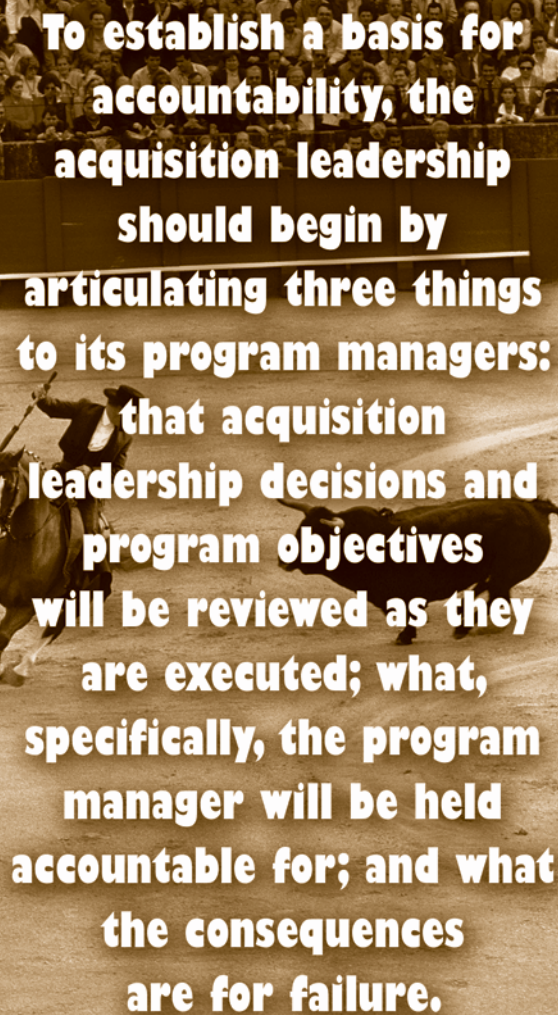
A management system for acquisition oversight should be based on two of the core realignment principles of the Defense Department's 2004 Business Management Modernization Program: business enterprise clarity and tiered accountability, and program management discipline. Enterprise clarity establishes who is responsible for what, while tiered accountability reflects the relationship between the various acquisition management levels—and both are necessary for effective acquisition oversight.

The Acquisition Program Baseline—which sets standards for an acquisition program's cost, schedule, and performance measurement—should serve as the overarching strategic plan for a program. However, the problem with the APB and with strategic plans in general is that they commonly extend so far into the future that it is often impossible to hold anyone accountable for its achievement. So while an overarching strategic plan is necessary, the acquisition oversight process should also have an execution plan that is updated yearly.

Adopt an annual operating plan. The new oversight process should be based on an industry model that revolves around an annual operating plan. An annual plan would establish the near-term schedule of events and accomplishments required for the successful execution of the APB and would ensure that defense officials could track if and when tasks were completed and decisions implemented. Each element of the acquisition program baseline—the initial operating capability, for example—could be broken down into annual execution components—such as the IOC critical path—and tracked as indicators of progress toward overall baseline goals.

The annual plan should be based on the fiscal year because most funding changes and impacts are known by August or September, even without appropriations or authorization acts. That provides sufficient time to set the next year's goals for the vast majority of programs in a manner that is almost entirely under the control of the program manager. The annual operating plan could be easily updated for changes that were not apparent or anticipated at the beginning of the year.

An annual operating plan would resolve the astute observation of former Under Secretary of Defense for Acquisition, Technology and Logistics (USD[AT&L]) Ken Krieg



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regarding typical defense acquisition metrics. In 2004, speaking to an audience at the Defense Acquisition University, Krieg said that “we measure everything, but by measuring everything and aligning nothing at senior levels, we really measure nothing.”

Revamp the oversight process. In the private sector, the annual operating plan is usually combined with quarterly onsite reviews of business unit portfolios and is supplemented by monthly reporting, usually of financial information. Using an annual operating plan allows the reviews to be focused upon the unique specifics of the business unit or individual program under review. Effective execution of the annual operating plan is usually incorporated into the annual performance plans of the program manager and appropriate business unit executives. This approach facilitates both individual accountability and early insight into program execution problems. For defense acquisition, the business unit equivalent is the component acquisition executive. Periodic portfolio reviews could be

supplemented with earned value reporting as a surrogate for the industry practice of financial reporting between portfolio reviews. Properly implemented, earned value management provides an objective indicator of progress, and because the contractor, in the routine execution of significant contracts, already produces the data, it imposes virtually no additional reporting burden on the program office.

A component review process should be created based on program executive officer portfolios with aggregate portfolio metrics derived from the annual operating plans of individual programs. Consistent with the concepts of enterprise clarity and tiered accountability, these reviews should be held at the PEO’s location. In other words, the supervisor goes to the jobsite, not the other way around. The review agendas should be established by the host PEO and should be focused primarily on execution of the annual operating plan with individual programs addressed on an exception basis. Similarly, oversight at the defense acquisition executive’s level should consist of periodic reviews of individual component portfolios based on aggregate portfolio metrics, with annual execution goals supplemented by monthly reporting of top-level earned value information. Individual programs would be addressed on an exception basis. For the reasons stated above, these reviews should be hosted by the component acquisition executive. Conducting reviews onsite conveys the sense that component acquisition executives, PEOs, and program managers are responsible for executing programs, not USD(AT&L).

Taking Action Now

A new oversight process that maximizes trust, promotes teamwork throughout the acquisition community, and recognizes tiered accountability needs to be established. An annual operating plan with specific goals and objectives should supplement the acquisition program baseline, and that plan should be the primary focus of a restructured oversight process that would include conducting reviews at the facilities of each host component and making the component acquisition executive responsible for setting the review agenda.

As the current administration winds down, the question on the minds of the acquisition community is “how many more 129th studies will the new administration bring?” Perhaps, if we are lucky, one of those studies will address Paul Beach’s “abiding cultural problem” and will recognize establishment of accountability and consequence as the most fundamental acquisition reform.

The author welcomes comments and questions and can be contacted at christlg@cna.org.